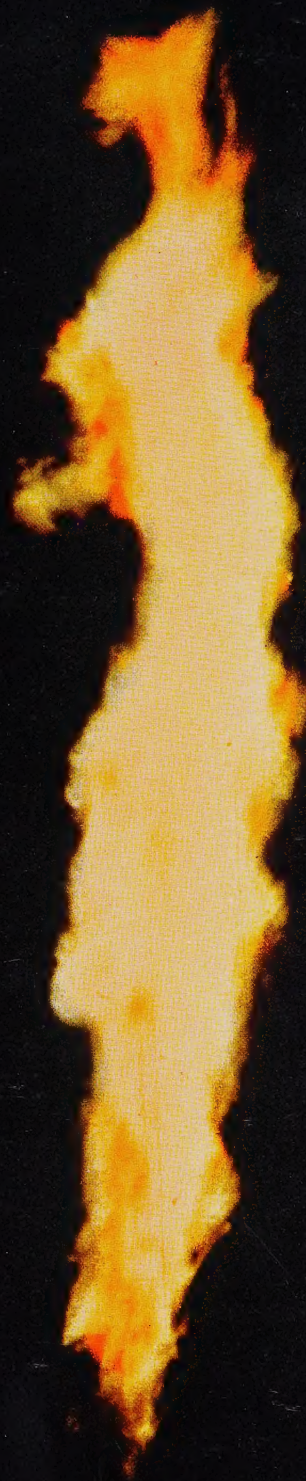


tenth  
annual  
report  
1964



PEMBINA PIPE LINE LTD.

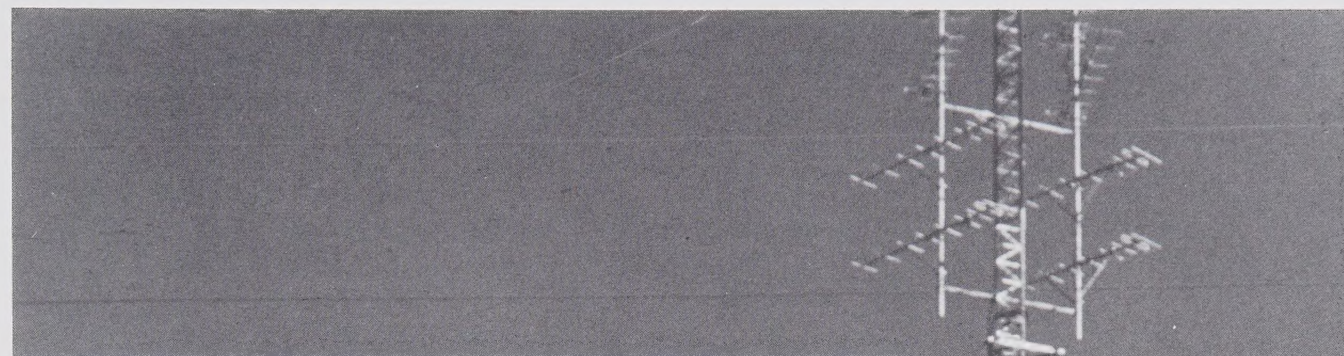




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## PEMBINA PIPE LINE LTD.

### HIGHLIGHTS OF 1964

#### Financial

Gross Revenue .....	\$7,072,589
Net Earnings .....	1,543,508
Net Earnings per Common Share .....	0.91
Capital Expenditures .....	4,307,150
Long Term Debt less Current Maturities .....	9,308,000
Total Assets at Year-end .....	30,681,404

#### Operating

Average Daily Deliveries—Barrels per day .....	120,850
Miles of Pipe Line at Year-end .....	870





# PEMBINA PIPE LINE LTD.

## Report of the Directors to the Shareholders

*This report covers the tenth year of operations of Pembina Pipe Line Ltd.*

### *Throughputs*

Total system throughputs for the year ended November 30th, 1964 averaged 120,850 barrels per day — an increase of 3.5% over the previous year.

In July of 1964 the Alberta Oil and Gas Conservation Board released its "Report and Decision on Review of Plan for Proration of Oil to Market Demand in Alberta". The report described a new plan for prorationing Alberta crude oil production on the basis of producible reserves rather than the previously utilized method which was based upon each oil well's capability to produce. The new plan will be introduced over a transition period from May 1st, 1965 to May 1st, 1969.

The Board has requested submissions relative to the establishment of ultimate reserves for pools in the Province and a hearing is presently underway. Until the Board's decision concerning ultimate reserves is known an accurate calculation of system throughputs after May 1, 1965 cannot be made. However, considering the high level of throughputs for the first three months of the year it is estimated that average daily throughputs for 1965 will approximate those of 1964.

### *Pipe Line Construction*

Pembina Pipe Line provided service for two additional fields during 1964. In March, 3 miles of line were constructed to connect the Rocky Mountain House field to the Willesden Green system and in September, a 21 mile separate system was built to service the Cardium oil pool in the Edson field. A truck unloading depot was also installed on this latter system and receives oil trucked from outlying wells in the area. This system delivers all oil to the terminal facilities of Gibson Petroleum Company Limited at Trans-Mountain Pipe Line's Edson pumping station.

In addition to the above, 5½ miles of extensions to existing gathering systems were built and the LPG line was extended 7 miles to move propane and butanes to a miscible flood project in the Lobstick area of the Pembina field. In total 36.5 miles of pipe line were constructed and 15 additional batteries connected. During 1965 we expect to complete about 40 miles of extensions to our gathering systems. Most of this work is now under way in the southeast of the Pembina field and the northwest of the Willesden Green field.

### *Acquisition of Oil and Gas Interests*

Prior to the end of 1963 your Company purchased a 50% interest in the Etzikom gas field and in South Alberta Pipe Lines Ltd. The Etzikom gas field supplies gas to Northwest-Nitro Chemicals Ltd. at Medicine Hat and to the City of Medicine Hat via the South Alberta Pipe Lines Ltd. facilities. Northwest-Nitro Chemicals Ltd. has expanded its plant capacity and the City of Medicine Hat has

contracted with your Company for an increased amount of gas under a new long-term contract. To supply these expanding markets your Company has obtained additional gas reserves in the Medicine Hat gas field straddling the South Alberta Pipe Lines Ltd. route and in the Dunmore field some 12 miles southeast of the City of Medicine Hat.

In addition to the above your Company acquired the oil and gas interests in Alberta of Zenmac Metal Mines Ltd., and participation in the Mitsue oil field of northeastern Alberta.

During the 1964 fiscal year, investment in carrier property, land, leases, wells and other equipment amounted to \$4,307,150 and your management is continuing to add to these properties.

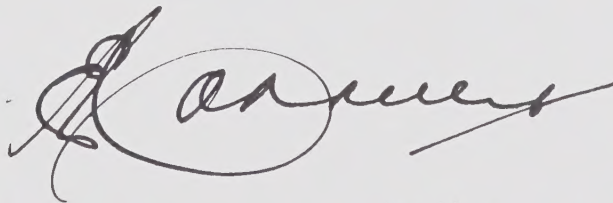
Income tax credits resulting from the purchase of petroleum and natural gas interests in excess of taxes expected to be payable in the future when depletion will be claimed on production income have been deferred. This amount of \$579,717 will be amortized over the life of the interests purchased.

*Financial  
and  
Earnings*

Earnings for the year ended November 30, 1964, after making the above provision, amounted to \$1,543,508. After allowing for preferred dividends, earnings amounted to 91 cents per common share.

Your directors wish to express their thanks to the employees for their continued loyalty and able support which have greatly benefited the Company in 1964, as in the past. Their spirit and enthusiasm has contributed much to the ability of the Company to continue to prosper and grow.

By Order of the Board,

A handwritten signature in black ink, appearing to read 'D. J. ...', is written over a large, faint circular stamp or watermark.

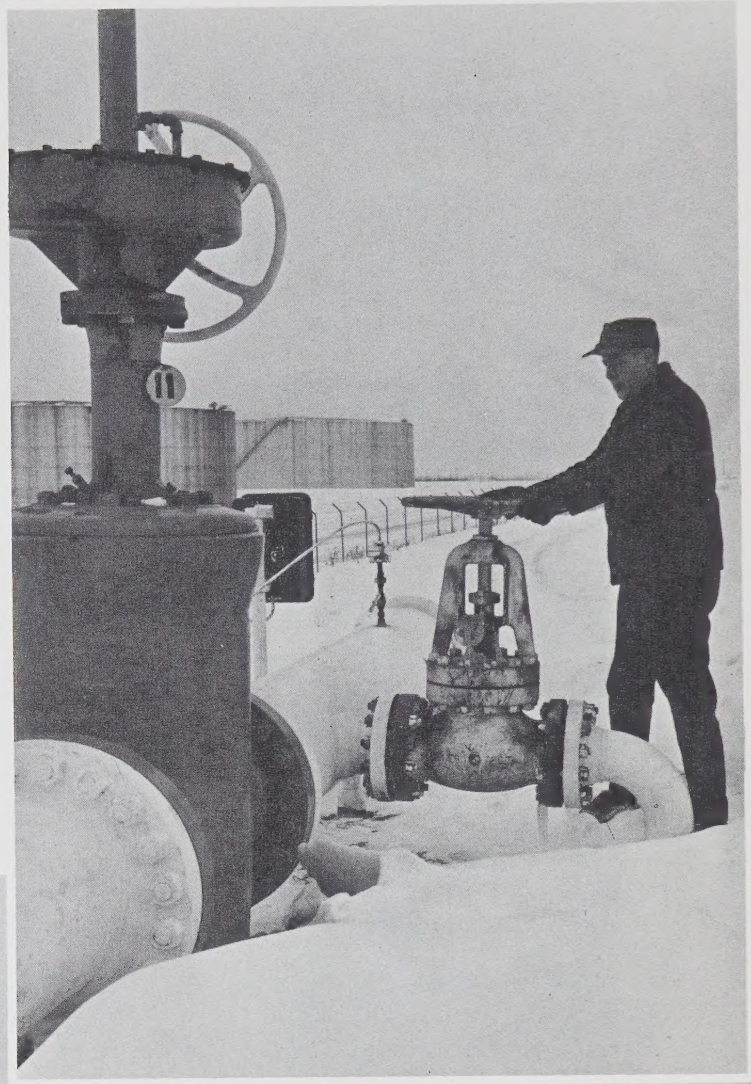
President

February 25, 1965.  
Calgary, Alberta.

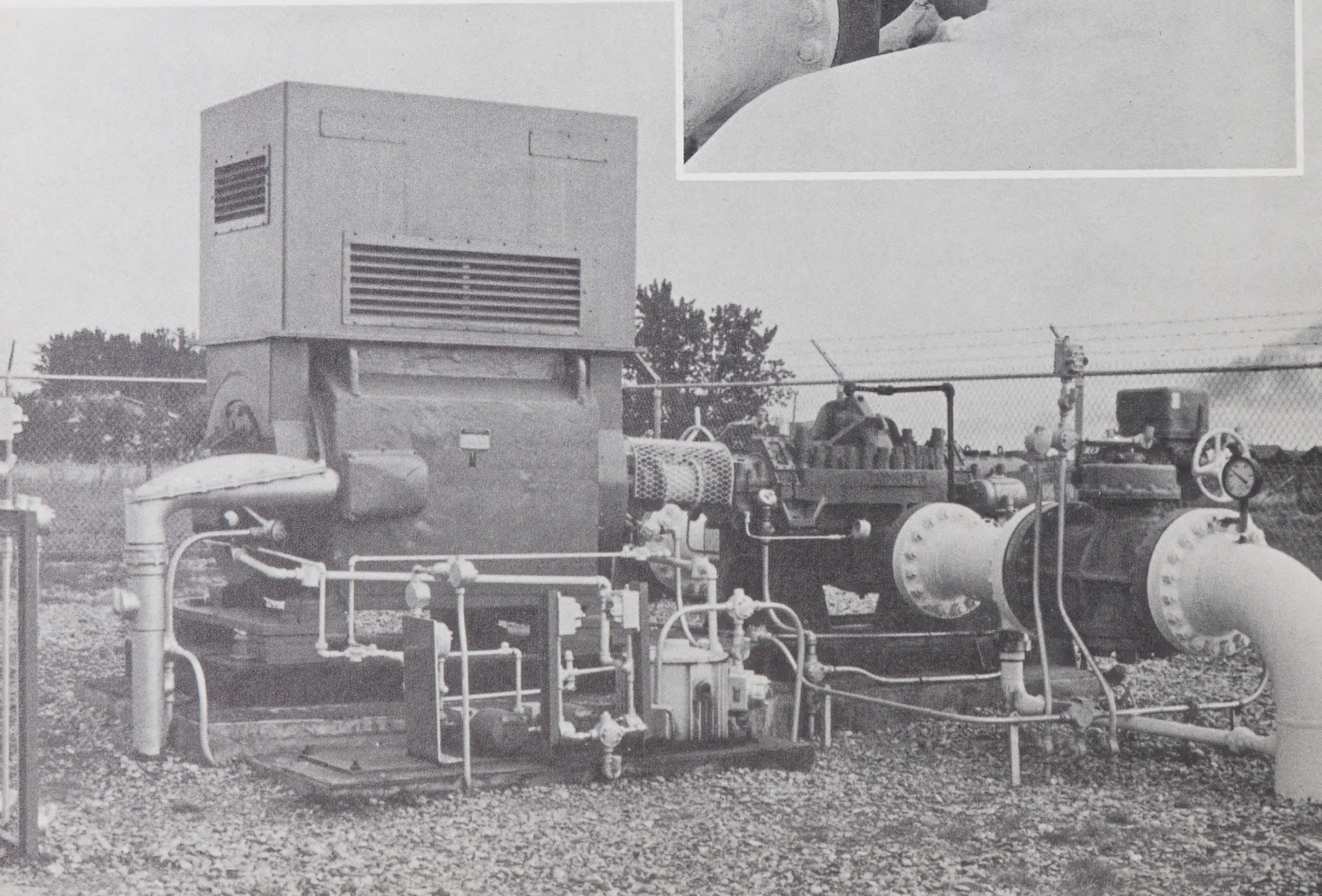


Portion of Edmonton Terminal Piping.

**. . . Deliveries at Edmonton during  
the past year totaled 44,152,000 barrels**



Calmar Booster Station Pumping Unit.





## PEMBINA PIPE LINE LTD.

### Production and Throughputs 1964

(WITH COMPARATIVE FIGURES FOR 1963)

#### FIELD PRODUCTION

The production from all fields for 1964 amounted to 44,232,000 barrels and the following table indicates the amount received from each field:

	1964	1963
Pembina .....	41,502,000	40,321,000
Willesden Green .....	2,155,000	1,945,000
Bigoray .....	185,000	186,000
Cyn-Pem .....	275,000	159,000
Rocky Mountain House (April to November inclusive) .....	35,000	—
Edson (September to November inclusive) .....	80,000	—
	<u>44,232,000</u>	<u>42,611,000</u>

#### MAIN LINE THROUGHPUTS

The above noted production was delivered through trunk line facilities to the following delivery points:

	1964	1963
Interprovincial Pipe Line Co. at Edmonton .....	25,273,000	22,460,000
Trans Mountain Oil Pipe Line Company at Edmonton .....	6,851,000	7,431,000
Refineries at Edmonton .....	12,028,000	12,720,000
Gibson Petroleum Company Limited near Edson .....	80,000	—
	<u>44,232,000</u>	<u>42,611,000</u>

### Facilities Added in 1964

	PEMBINA	WILLESDEN GREEN	ROCKY MOUNTAIN HOUSE	EDSON	TOTAL
Miles of crude oil gathering lines installed .....	3.75	1.75	3.0	21.0	29.5
Miles of L.P.G. line .....	7.0	—	—	—	7.0
New batteries connected .....	8	1	2	4	15
Batteries automated .....	8	—	—	2	10

# PEMBINA PIPE LINE LTD.

## TEN YEAR REVIEW

	<u>1964</u>	<u>1963</u>	<u>1962</u>
<b>OPERATIONS</b>			
Average Deliveries in Barrels per Day .....	120,850	116,740	113,580
Miles of Line Built in the Year* .....	37	32	51
Miles of Line in System at Year end** .....	870	833	814
Batteries Connected in the Year .....	15	24	48
Batteries Automated in the Year .....	10	67	23
Additional Wells Served during the Year .....	188	195	257
 <b>EARNINGS</b>			
Net Earnings for the Year .....	\$1,543,508	\$1,369,688	\$1,359,375
Earnings per Common Share .....	91¢	80¢	79¢



<u>1961</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>
121,550	110,400	103,400	94,000	106,000	88,000	38,000
58	58	85	49	151	153	246
763	706	650	565	543	395	242
39	65	54	71	114	132	95
29	57	47	19	1	—	—
252	490	425	612	526	857	685

\* During the 10 year period a total of 920 miles were constructed.

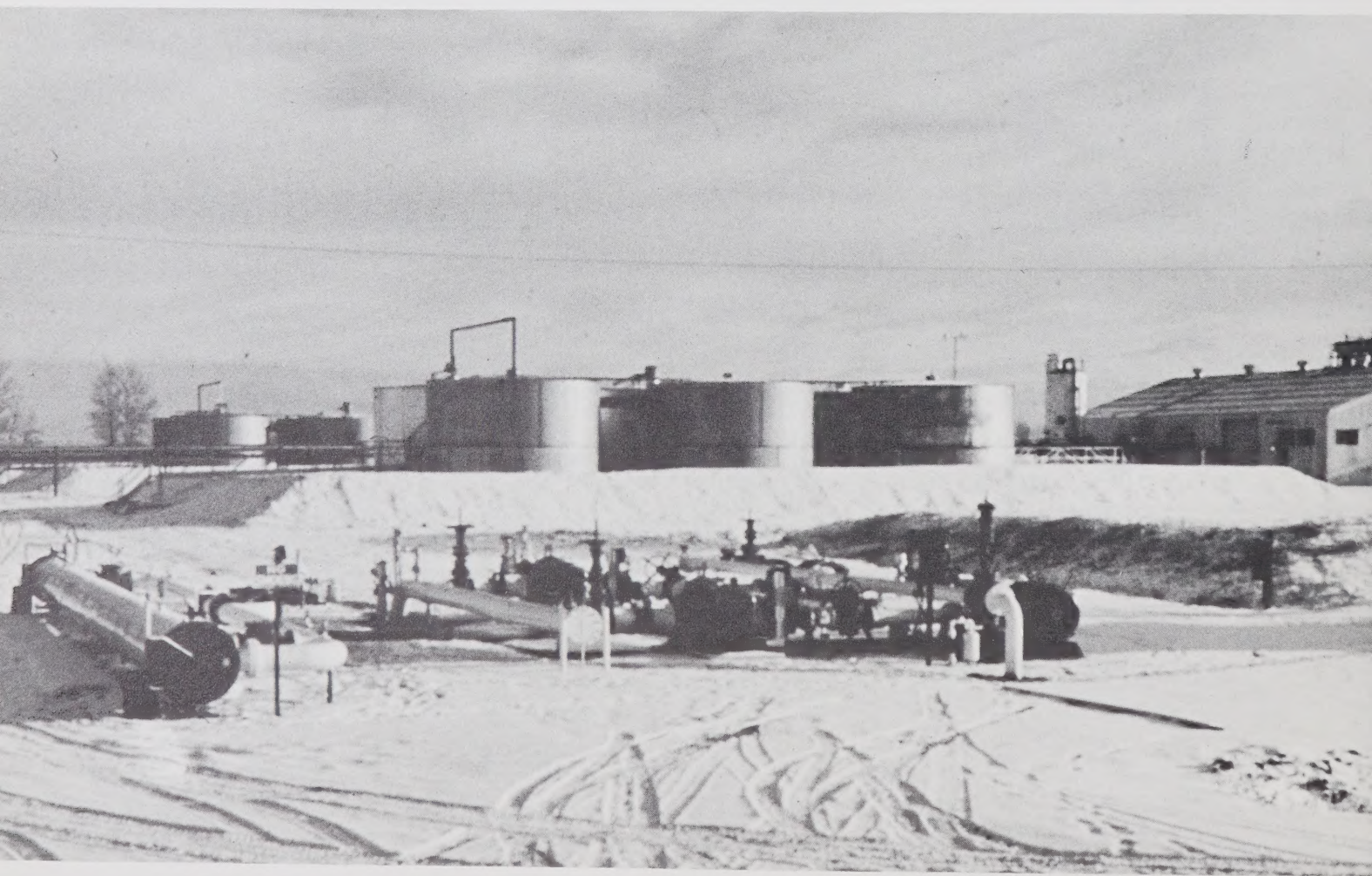
\*\* 27 miles of line loop sold and 23 miles of gathering lines reclaimed after consolidation of producers' facilities.

,451,529	\$1,324,154	\$1,187,348	\$1,002,197	\$1,095,079	\$1,102,429	\$416,628
85¢	77¢	68¢	56¢	62¢	63¢ †	20¢ †

† 1955 and 1956 adjusted for subdivision of stock effective March 18, 1957 on a four-for-one basis.



. . . a view of the meter proving and automatic shipping facilities at a central treating station in the Pembina field.





# PEMBINA PIPE LINE LTD.

## Source and Application of Funds 1964

(WITH COMPARISON FOR PREVIOUS YEARS)

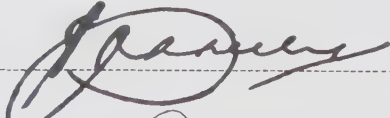
	1964	1963	1962	1961	1960
<b>SOURCE OF FUNDS:</b>					
Net earnings .....	\$1,543,508	\$1,369,688	\$1,359,375	\$1,451,529	\$1,324,154
Depreciation and amortization .....	1,657,174	1,493,609	1,373,726	1,398,997	1,205,887
Deferred income taxes .....	1,002,503	164,801	95,502	101,966	198,735
Provision to defer income tax credits .....	579,717	—	—	—	—
Debt discount amortized .....	24,858	26,915	28,629	32,412	32,350
Production loans .....	1,048,500	—	—	—	—
Other items ( <i>net</i> ) .....	4,000	—	994	80	9,617
	<u>\$5,860,260</u>	<u>\$3,055,013</u>	<u>\$2,858,226</u>	<u>\$2,984,984</u>	<u>\$2,770,743</u>
<b>APPLICATION OF FUNDS:</b>					
Additions to carrier property, land, leases, wells and other equipment ( <i>net</i> ) .....	\$4,307,150	\$1,389,171	\$1,244,984	\$1,390,647	\$1,651,540
Sinking fund requirements .....	1,390,000	1,330,000	1,182,000	1,149,500	1,117,000
Additional income taxes .....	56,306	—	3,093	—	141,980
Investment in wholly owned subsidiaries .....	—	—	—	—	423,000
Investment in bonds and shares of other companies .....	(8,381)	300,000	2,500	—	—
Advances to wholly owned subsidiaries ( <i>net</i> ) .....	(5,617)	100	56,517	(13,833)	(32,120)
Preferred dividends .....	75,523	79,188	83,580	86,692	89,393
Operating oil supply .....	3,381	—	—	—	—
	<u>\$5,818,362</u>	<u>\$3,098,459</u>	<u>\$2,572,674</u>	<u>\$2,613,006</u>	<u>\$3,390,793</u>
<b>RECONCILIATION OF CHANGES IN WORKING CAPITAL:</b>					
Increase ( <i>Decrease</i> ) in Working Capital .....	\$ 41,898	\$ (43,446)	\$ 285,552	\$ 371,978	\$ (620,050)
Working Capital ( <i>Deficit</i> ) .....	\$ (547,193)	\$ (589,091)	\$ (545,645)	\$ (831,197)	\$ (1,203,175)




## ASSETS

	1964	1963
Fixed assets, at cost:		
Investment in carrier property, land, leases, wells and other equipment	\$35,859,030	\$31,740,854
Less accumulated depreciation and amortization	9,716,738	8,288,711
	26,142,292	23,452,143
Operating oil supply	485,572	482,191
	26,627,864	23,934,334
Investment in shares and advances to wholly-owned subsidiary companies:		
Investment in shares, at cost	22,600	22,600
Advances	73,863	79,480
	96,463	102,080
Investment in bonds and shares of other companies, at cost	294,119	302,500
Current assets:		
Cash	70,410	128,918
Accounts receivable:		
Trade accounts	663,142	506,709
Others	65,848	6,054
Funds held by trustee	40,860	—
Materials and supplies, at cost	58,736	73,204
Deposits and prepaid expenses	47,624	31,194
Short term investments, at cost plus accrued interest	1,568,014	455,519
Income taxes refundable	364,800	—
	2,879,434	1,201,598
Deferred charges:		
Unamortized discount on funded debt	120,885	145,743
Organization expenses	3,656	3,656
	124,541	149,399
Goodwill and other intangibles, less amounts written off	658,983	699,156

Approved on behalf of the Board:

 Director

 Director

\$30,681,404

\$26,389,067

The accompanying notes form an integral part of this balance sheet.

This is the balance sheet referred to in the report of Peat, Marwick, Main &amp; Company, Chartered, dated November 1, 1964.



LIABILITIES

	1964	1963
Funded debt, less current maturities (Note 1) .....	\$ 8,259,500	\$ 9,574,500
Production loans—secured, less current portion (Note 2) .....	1,048,500	—
	<u>9,308,000</u>	<u>9,574,500</u>
Current liabilities:		
Demand bank loans .....	1,399,700	—
Accounts payable and accrued charges .....	1,854,260	1,137,510
Interest accrued on funded debt, net .....	19,267	1,662
Sinking fund payments due within one year, less bonds, debentures and preferred shares held by the company .....	29,900	207,500
Income taxes payable, estimated, less payments .....	—	444,017
Production loan payments due within one year .....	123,500	—
	<u>3,426,627</u>	<u>1,790,689</u>
Deferred taxes on income (Note 3) .....	3,514,123	2,511,620
Deferred income tax credits on petroleum and natural gas interests (Note 3) .....	579,717	—
Shareholders' equity:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each. Authorized 60,000 shares; issued 40,000 shares (Note 4) .....	2,000,000	2,000,000
Less shares redeemed: 1964—9,000 shares; 1963—7,500 shares .....	450,000	375,000
	<u>1,550,000</u>	<u>1,625,000</u>
Less sinking fund payment due within one year .....	75,000	75,000
	<u>1,475,000</u>	<u>1,550,000</u>
Common shares of a par value of \$1.25 each. Authorized 4,000,000 shares; issued: 1964—1,609,372 shares, 1963—1,608,932 shares (Note 5) .....	2,011,715	2,011,165
	<u>3,486,715</u>	<u>3,561,165</u>
Capital redemption reserve fund .....	450,000	375,000
Paid-in surplus (Note 5) .....	74,285	70,835
Retained earnings (Note 6) .....	9,841,937	8,505,258
	<u>13,852,937</u>	<u>12,512,258</u>
	<u>\$30,681,404</u>	<u>\$26,389,067</u>

# PEMBINA PIPE LINE LTD.

## Statement of Earnings

Year ended November 30, 1964

(WITH COMPARATIVE FIGURES FOR 1963)

	1964	1963
Revenue from operations .....	\$7,072,589	\$6,289,811
Expenses:		
Operating .....	1,841,626	1,653,702
Directors' fees .....	4,800	5,325
Depreciation and amortization .....	1,657,174	1,493,609
	3,503,600	3,152,636
Net earnings from operations .....	3,568,989	3,137,175
Miscellaneous charges (income) net:		
Interest, and amortization of discount on funded debt .....	464,170	535,715
Profit on sinking fund operations .....	(20,910)	(27,445)
	443,260	508,270
Net earnings before the following .....	3,125,729	2,628,905
Taxes on income:		
Current year .....	—	1,094,416
Future years (Note 3) .....	1,002,504	164,801
	1,002,504	1,259,217
Provision to defer income tax credits on petroleum and natural gas interests (Note 3) .....	2,123,225	1,369,688
	579,717	—
Net earnings .....	\$1,543,508	\$1,369,688

The accompanying notes form an integral part of the financial statements.



# PEMBINA PIPE LINE LTD.

## Statement of Retained Earnings

Year ended November 30, 1964

Balance at November 30, 1963 .....		\$ 8,505,258
Add net earnings year ended November 30, 1964 .....		1,543,508
		<hr/> 10,048,766
Deduct:		
Prior years' income taxes .....	\$56,306	
Dividend paid on 5% cumulative redeemable first preferred shares .....	75,523	
Transfer to capital redemption reserve fund .....	75,000	206,829
	<hr/>	<hr/>
Balance at November 30, 1964 .....		\$ 9,841,937
		<hr/> <hr/>

## Statement of Capital Redemption Reserve Fund

Year ended November 30, 1964

Balance at November 30, 1963 .....	\$ 375,000
Add transfer from retained earnings re redemption of preferred shares .....	75,000
	<hr/>
Balance at November 30, 1964 .....	\$ 450,000
	<hr/> <hr/>

### Statement in accordance with Section 122(6) of The Companies Act (Alberta):

The company has three subsidiary companies, two of which were inactive during the year ended November 30, 1964. The operations of the active subsidiary resulted in neither a profit nor a loss. All prior operations of these subsidiary companies have been reflected in the accounts of Pembina Pipe Line Ltd.

 Director

 Director

The accompanying notes form an integral part of the financial statements.

# PEMBINA PIPE LINE LTD.

## Notes to Financial Statements

November 30, 1964

	1964	1963
1. Funded debt:		
First mortgage bonds:		
4¼ % serial bonds, series "A":		
Authorized and issued (maturing as to \$400,000		
on December 1, in each year) _____	\$ 3,500,000	\$ 3,500,000
Less redeemed and cancelled _____	3,100,000	2,300,000
	400,000	1,200,000
4¾ % 17-year bonds, series "A", due December 1, 1971:		
Authorized and issued _____	4,000,000	4,000,000
Less redeemed and cancelled _____	1,616,000	1,441,000
	2,384,000	2,559,000
4½ % bonds, series "B", due October 1, 1973:		
Authorized and issued _____	3,125,000	3,125,000
Less redeemed and cancelled _____	1,436,000	1,248,000
	1,689,000	1,877,000
6% bonds, series "C", due December 1, 1974:		
Authorized and issued _____	2,400,000	2,400,000
Less redeemed and cancelled _____	852,000	568,000
	1,548,000	1,832,000
	6,021,000	7,468,000
Debentures:		
5% sinking fund debentures, series "A", due December 1, 1972:		
Authorized and issued _____	2,000,000	2,000,000
Less redeemed and cancelled _____	696,000	605,500
	1,304,000	1,394,500
5% sinking fund debentures, series "B", due October 1, 1974		
(conversion privilege expired):		
Authorized and issued _____	1,400,000	1,400,000
Less converted into common stock and		
redeemed and cancelled _____	328,000	258,000
	1,072,000	1,142,000
6% convertible sinking fund debentures, series "C",		
due December 1, 1975 (Note 5):		
Authorized and issued _____	720,000	720,000
Less converted into common stock and		
redeemed and cancelled _____	134,500	78,500
	585,500	641,500
	2,961,500	3,178,000
Total funded debt _____	8,982,500	10,646,000
Deduct sinking fund payments due within one year, less principal		
amount of securities delivered in advance of requirements amounting		
to: 1964—\$818,000, 1963—\$250,000 _____	286,000	846,000
Funded debt less current maturities _____	8,696,500	9,800,000
Deduct securities purchased to meet other than current maturities _____	437,000	225,500
	\$ 8,259,500	\$ 9,574,500
2. Production loans consist of demand bank loans in the amount of \$1,172,000, which loans will be repaid at a rate sufficient to retire \$123,500 by November 30, 1965. These loans are secured by certain of the company's petroleum and natural gas properties.		
3. In accordance with the Income Tax Act the company is permitted, for tax purposes, to claim depreciation in amounts other than those provided in its accounts and also to deduct the cost of petroleum and natural gas interests. Accordingly, tax deferrals and savings have been effected during the year and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income of \$1,002,504 and a credit to deferred income tax credits on petroleum and natural gas interests of \$579,717. This latter amount will be amortized over the life of the petroleum and natural gas interests, and represents the savings in excess of taxes expected to be payable in the future when depletion will be claimed on production income.		
4. The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days notice at par value plus a premium of 3½% to December 1, 1964 and thereafter at a reducing premium to December 1, 1972, after which no premium is payable upon redemption.		
5. The 6% convertible sinking fund debentures, series "C", carry a conversion privilege exercisable on or before December 1, 1965 entitling the holders thereof to exchange each \$500 principal amount of said debentures for 55 common shares of the company. During the year ended November 30, 1964 debentures having a par value of \$4,000 were exchanged for 440 common shares. The proceeds were credited in the amount of \$550 to capital stock and \$3,450 to paid-in surplus.		
6. The trust deeds securing the first mortgage bonds and the debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.		



## Auditors' Report

PEAT, MARWICK, MITCHELL & CO.  
CHARTERED ACCOUNTANTS

309 EIGHTH AVENUE WEST  
CALGARY, ALBERTA

### AUDITORS' REPORT TO THE SHAREHOLDERS

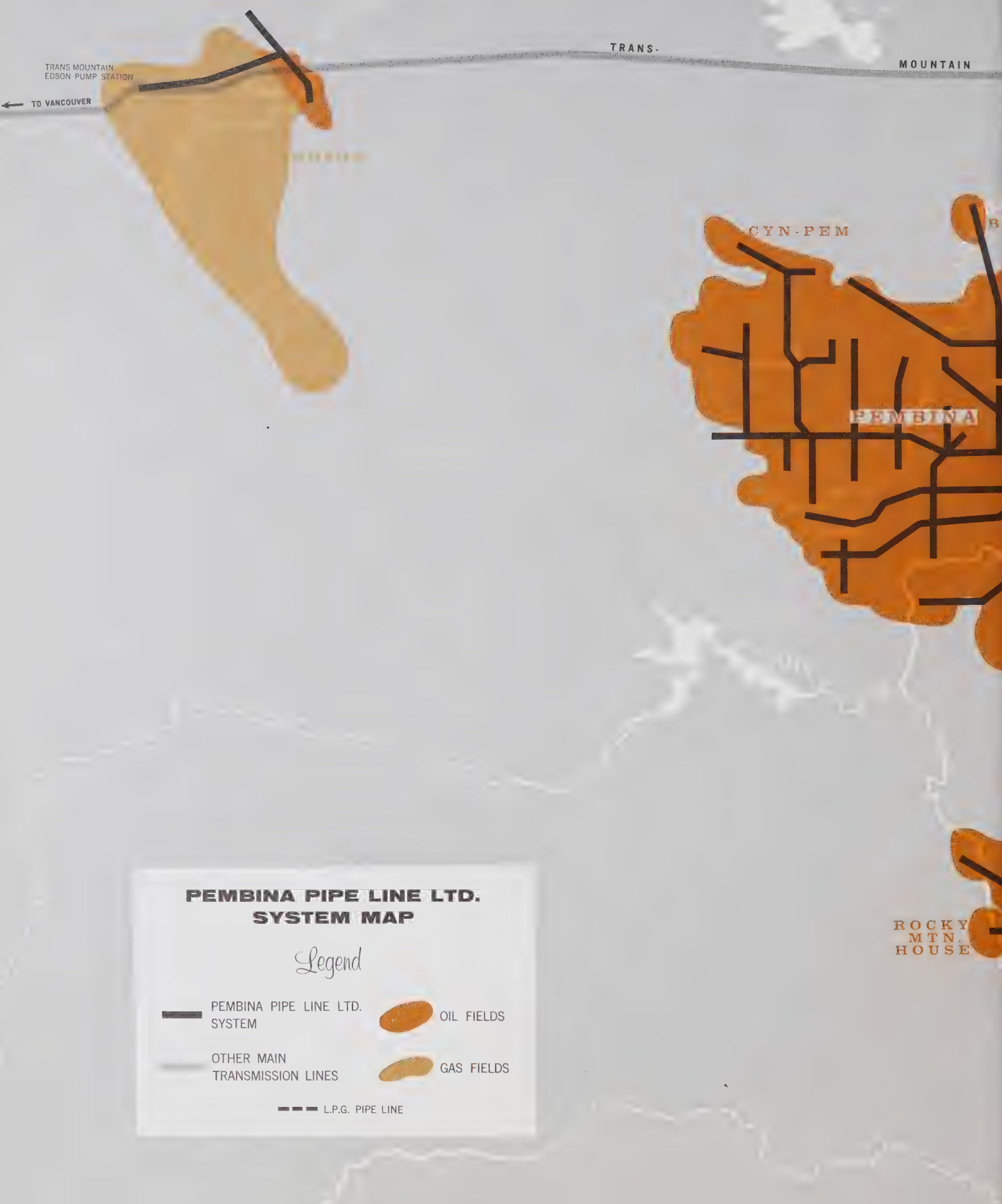
We have examined the balance sheet of Pembina Pipe Line Ltd. as of November 30, 1964 and the statements of earnings, retained earnings and capital redemption reserve fund for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and capital redemption reserve fund are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at November 30, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles which, except for the change (of which we approve) in the treatment of deferred income tax credits as explained in note 3 to the financial statements, have been applied on a basis consistent with that of the preceding year.

*Peat, Marwick, Mitchell & Co.*






Calgary, Alberta  
January 18, 1965

Chartered Accountants



**PEMBINA PIPE LINE LTD.  
SYSTEM MAP**

*Legend*

- |   |                                  |   |            |
|---|----------------------------------|---|------------|
|  | PEMBINA PIPE LINE LTD.<br>SYSTEM |  | OIL FIELDS |
|  | OTHER MAIN<br>TRANSMISSION LINES |  | GAS FIELDS |
|  | L.P.G. PIPE LINE                 |   |            |





# **SOUTH ALBERTA PIPE LINES LTD.**

South Alberta Pipe Lines Ltd. is owned jointly by Pembina Pipe Line and Midcon Oil and Gas. The system is managed by Pembina and transmits natural gas through 45 miles of 10" pipe line from the Etzikom gas field to Medicine Hat where deliveries are made to the power plant of the City of Medicine Hat and to the Northwest Nitro Chemicals Ltd. fertilizer plant shown below.

During the past year the line transported 5 billion cubic feet of natural gas. Late in 1964 Northwest-Nitro completed work on an expansion program which will increase their plant gas use by 35%, which requirement will be supplied by Pembina and Midcon through the facilities of South Alberta.

The pipe line traverses a proven area of the Medicine Hat gas field recently acquired by Pembina-Midcon. The production resulting from a planned 1965 drilling program in the area will be transported by this line.





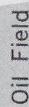
**PEMBINA PIPE LINE LTD.  
ACREAGE HOLDINGS**

**LEGEND**

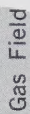
Pembina Pipe Line Ltd.  
Acreage Areas



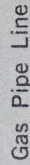
Oil Field



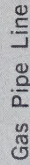
Gas Field



Oil Pipe Line



Gas Pipe Line





# PEMBINA PIPE LINE LTD.

## Directors

A. D. ARMOUR ..... *Toronto, Ontario*  
E. CONNELLY ..... *Calgary, Alberta*  
E. W. COSTELLO ..... *Calgary, Alberta*  
J. P. GALLAGHER ..... *Calgary, Alberta*  
F. C. MANNIX ..... *Calgary, Alberta*  
A. D. NESBITT ..... *Montreal, Quebec*  
C. J. OATES ..... *Vancouver, British Columbia*

## Officers

F. C. MANNIX ..... *Chairman of the Board*  
E. CONNELLY ..... *President and Treasurer*  
E. W. COSTELLO ..... *Vice-President*  
J. P. GALLAGHER ..... *Vice-President*  
H. BOOTH ..... *General Manager and Controller*  
D. M. DAVIS ..... *Assistant Secretary*

BANKERS ..... *The Royal Bank of Canada*  
*Calgary, Alberta*

TRANSFER AGENTS ..... *The Montreal Trust Company*  
AND REGISTRARS ..... *Calgary, Alberta*

SOLICITORS ..... *Chambers, Saucier, Jones, Peacock,*  
*Black, Gain & Stratton*  
*Calgary, Alberta*

AUDITORS ..... *Peat, Marwick, Mitchell & Co.*  
*Calgary, Alberta*

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